

Message Text

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43

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 /084 W

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P R 161722Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 9447

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJECT: TRUST FUND

REF: STATE 74977

1. SUMMARY: IN RECENT DISCUSSION WITH FINANCIAL ATTACHE, FINANCE MINISTRY OFFICIAL DISCUSSED MECHANISM FOR FINANCING TRUST FUND AND INDICATED SOME INTEREST IN WORKING OUT AN AGREEMENT (BONN 5297). OFFICIALS IN MINISTRY FOR ECONOMIC COOPERATION REMAIN MORE SKEPTICAL AS TO NEED FOR NEW INSTITUTION TO ASSIST MSAS, BUT AGREE THAT NEW FACILITY FUNDED BY SALE OF IMF GOLD LOOKS MORE INVITING THAN ANY OTHER PROPOSALS THAT HAVE BEEN PUT FORTH.
END SUMMARY

2. EMBOFF DISCUSSED TRUST FUND PROPOSAL AND SITUATION FACED BY MSAS WITH OSTERHAUS AND SCHULZ IN BUREAU FOR MULTILATERAL INSTITUTIONS OF MINISTRY FOR
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ECONOMIC COOPERATION. THEY AGREED THAT MANY MSAS

WILL FACE SERIOUS PAYMENTS FINANCING PROBLEMS IN 1975, BUT POINTED OUT THAT A NUMBER OF FACILITIES ARE ALREADY AVAILABLE. THEY POINTED OUT THAT ECON COOPERATION MINISTRY PREFERS TO CHANNEL FRG RESOURCES TO EXISTING INSTITUTIONS SUCH AS REGIONAL BANKS AND TO HAVE THESE INSTITUTIONS TARGET THEIR CONCESSIONAL LENDING ON MSAS. THUS THEY ARE SKEPTICAL ABOUT NEED FOR NEW INSTITUTION. HOWEVER, THEY AGREED THAT A NEW FACILITY WHICH DOES NOT ENTAIL ADDITIONAL CHANGES IN FRG BUDGET IS FAR MORE INVITING THAN OTHER PROPOSALS SUCH AS IRANIAN AND BRITISH. ACCORDING TO OSTERHAUS, PARLIAMENTARY STATE SECRETARY BRUECH CONVEYED ESSENTIALLY SIMILAR VIEWS TO DEVELOPMENT COMMITTEE EXECUTIVE DIRECTOR COSTANZO DURING HIS VISIT TO BONN ON MARCH 19.

3. MINISTRY FOR ECONOMIC COOPERATION IS REVIEWING PRESENT BANK/FUND ASSESSMENT OF PAYMENTS DEFICIT OF MSAS AND BOP PROSPECTS FOR PARTICULAR LDCS. OSTERHAUS PROMISED TO PROVIDE EMBASSY WITH RESULTS FRG ANALYSIS. IN RETURN, HE WOULD LIKE TO HAVE US ESTIMATES OF LIKELY PAYMENTS DEFICITS OF MSAS AND OUR THINKING CONCERNING COMPOSITION OF APPROPRIATE LIST OF MSAS.

4. COMMENT: PRIMARY RESPONSIBILITY FOR DEVELOPING FRG DECISIONS RELATED TO DEVELOPMENT COMMITTEE ISSUES IS DIVIDED BETWEEN FINANCE MINISTRY AND MINISTRY FOR ECONOMIC COOPERATION. LATTER HAS RESPONSIBILITY FOR MSA PROBLEMS IN GENERAL AND CONCESSIONAL DEVELOPMENT LENDING. HOWEVER TRUST FUND DESIGNED TO PROVIDE ONLY BALANCE OF PAYMENTS SUPPORT WOULD FALL PRIMARILY WITHIN FINANCE MINISTRY'S RESPONSIBILITY. THE TWO MINISTRIES COORDINATE CLOSELY ON THESE ISSUES, AND VIEWS OF ECON COOP MIN AS TO MERITS OF TRUST FUND WILL CARRY WEIGHT.
HILLENBRAND

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